U.S.-Korea Free Trade Agreement

What's At Stake for Fresh Citrus and Orange Juice?

August 2010

The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, this would be the most economically significant trade agreement for the U.S. agricultural sector in more than 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.

In October 2009, Korea finalized its FTA with the European Union. Korea has FTAs in place with Chile, India, and the 10-country ASEAN group, and is negotiating new FTAs with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors. Should the United States not implement the KORUS FTA, the U.S. share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, could steadily erode.

Fresh Oranges

With the Agreement…

Upon implementation of the agreement, an estimated 70 percent of current U.S. orange trade with Korea will benefit from lower tariffs immediately. On "out-of-season" product entering during the March 1–August 31 period, Korea's 50-percent tariff will immediately be reduced to 30 percent, which will be reduced to zero in six equal annual installments.

An initial duty-free tariff-rate quota (TRQ) of 2,500 metric tons will apply for orange imports from the United States during Korea's "in-season" period of September 1 through the end of February. From the second year onward, the TRQ will grow at a compound 3-percent annual rate in perpetuity. In-season imports above the TRQ volume will continue at the current most-favored-nation rate of 50 percent.

Lemons

With the Agreement…

Korea's current 30-percent lemon tariff will be reduced to 15 percent in the first year and eliminated on January 1 of the second year of the agreement.

Grapefruit

With the Agreement…

For grapefruit, the current 30-percent World Trade Organization (WTO) tariffs will be reduced to zero in five equal annual installments.

The Citrus Trade Situation…

Fresh citrus fruits are a sensitive group of commodities for Korea, and the country provides considerable protection to its domestic citrus industry. Highly restrictive tariff and non-tariff barriers help ensure that Korea's internal demand for citrus fruit is met largely through domestic production of unshu (mandarin) oranges, which USDA estimates to be 700,000 metric tons for marketing year 2009/2010.

Despite rigorous import restrictions, Korea has been the second largest market for U.S. oranges for the past several years. From 2007 through 2009, U.S. suppliers shipped an average 79,000 tons of oranges valued at $92 million to Korea. In 2009, the United States had a 92-percent market share in Korea, with only limited competition from Chile, South Africa, Spain, and Australia.

Korea was the fifth largest market for U.S. lemons in 2009. From 2007 through 2009, U.S. suppliers shipped an average of 6,500 tons of lemons annually valued at $7 million. Chile has a free trade agreement with Korea and began shipping lemons to Korea in 2005. Chile now has a 12-percent market share in Korea.

The United States has historically been the dominant grapefruit supplier to Korea. Korea's imports of U.S. grapefruit in 2009 totaled $5.1 million. However, Israel's exports to Korea increased significantly from $345,000 in 2008 to $1.3 million in 2009, resulting in a market share increase from 6 percent to 20 percent.

Orange Juice

With the Agreement…

Korea's 54-percent WTO tariff on frozen orange juice concentrate will be immediately eliminated. A 54-percent tariff rate advantage over Brazil and Israel–our key competitors in Korea's orange juice import market–presents a huge opportunity for U.S. exporters.

The Trade Situation…

Korea is the third largest market for U.S. orange juice. From 2007 through 2009, U.S. orange juice suppliers annually shipped an average of $9.7 million. Brazil currently supplies 55 percent of Korea's $44-million orange juice import market. Elimination of the duty for U.S. frozen orange juice concentrate more then offsets the price advantage Brazilian juice has enjoyed in Korea. Brazil currently holds 55 percent of Korea's import market, while the United States and Israel control the remainder of the import market with shares of 26 and 15 percent, respectively.